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联合国  
粮食及  
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Food  
and  
Agriculture  
Organization  
of  
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United  
Nations

Organisation  
des  
Nations  
Unies  
pour  
l'alimentation  
et  
l'agriculture

Продовольственная и  
сельскохозяйственная  
организация  
Объединенных  
Наций

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## AFRICAN FORESTRY AND WILDLIFE COMMISSION

### EIGHTEENTH SESSION

### SECOND AFRICAN FORESTRY AND WILDLIFE WEEK

Cotonou, Republic of Benin, 16 to 20 January 2012

### THE IMPORTANCE OF GOVERNANCE AND BENEFIT SHARING IN THE SUSTAINABLE MANAGEMENT OF AFRICA'S FORESTS, TREES AND WILDLIFE

#### Heads of Forestry Dialogue on Forest Financing

#### *Financing Sustainable Forest Management in Africa: A Management Paradox?*

## Introduction

1. Forests in Africa support the livelihoods of millions of people besides rendering several critical environmental, social, and cultural services. Contributing on an average to about 6 percent of the region's GDP, they also form the foundation for economic development in many countries. Africa has a high per capita forest cover at 0.8 ha per person compared to a global average of 0.6 ha. Thus adequate financing for their sustainable management is vital to the region's broader socioeconomic development, which includes a wide array of objectives and priorities; from poverty alleviation and provision of safe drinking water, to climate change mitigation and adaptation. Yet, low budgets and inadequate investments continue to plague the forest sector in many countries, making the progress towards sustainable forest management a persistent challenge. During the last decade alone, the continent lost about 3.4 million hectares of forests annually.

2. Financing for forest management and protection comes mainly from government budget allocations, revenues from the sale of forest-related goods and services, private sector investments, and international official development assistance (ODA). With over 90 percent of forests publicly owned in Africa, public-sector contribution is especially important for activities focused on social and environmental benefits. However, historically, both public and private sector investments have fallen short of their potential. This is in spite of the fact that Africa has possibly the greatest potential for investment in this sector, not only for reducing poverty and mobilizing rural economic development but also for restoring and enhancing the environment. While the public ODA is getting increasingly diverted into other sectors and priorities such as food security and HIV/AIDS control, the private foreign direct investment (FDI) has seen only a modest rise. External assistance to traditional areas such as reforestation, afforestation, research,

training and extension is clearly decreasing. Changing priorities for ODA and its sustainability continue to remain as key issues.

### **Objectives of the Heads of Forestry dialogue**

3. The Heads of Forestry dialogue is intended to contribute to sharing experiences and help the AFWC provide inputs for developing suitable strategies for sustained financing and related regional and international cooperation. The specific objectives of this dialogue are to:
- a) Discuss – with a specific focus on–how countries have responded to the challenges of financing sustainable forest management; and
  - b) Outline – as to what may be done to make forestry a more attractive investment, particularly in the context of rapidly emerging opportunities.

### **Emerging opportunities**

4. At the global level, however, new opportunities and incentives that could make forestry a more rewarding enterprise are emerging. Some of these developments include:
- Burgeoning demand for consumptive and non-consumptive uses of forests and forest products and services that can bring increased investments into forestry;
  - New forest products and services and moving up the value chain by promoting value addition and diversifying product mixes;
  - New strategies that integrate forestry into national development plans and programmes and that attract funds to address issues such as poverty, bio-energy, and rural employment;
  - New alliances such as joint forest management, public-private partnerships, forest cooperatives, and tree-grower federations to leverage additional resources and funding<sup>1</sup>;
  - Innovative institutional strategies such as the establishment of “national forest funds<sup>2</sup>” to mobilize, streamline, and channel dedicated funding for forestry; and
  - Payments for environmental services (PES) including mechanisms such as REDD+<sup>3</sup> that value forests’ contribution to climate change mitigation, watershed protection, biodiversity conservation and offer new incentives to forest owners.
5. There are also instances where environmental crises have been turned into opportunities to promote forestry<sup>4</sup>. Particularly in the context of climate change, investing in forestry has the double advantage of slowing deforestation and forest degradation and augmenting carbon sequestration through tree planting and improved management. Although the Clean Development Mechanism has had negligible impact, voluntary carbon markets are gaining significance. With REDD+ receiving considerable attention in recent years, many bilateral and multilateral agencies have initiated funding for it, including for its readiness.

### **Continuing challenges**

6. Despite these emerging opportunities the economic viability of forestry remains a concern in Africa as the sector grapples with the question of how to deepen and diversify its fiscal base. Among various regions in the world, the average revenues obtained from forests per hectare is lowest in Africa (under US\$1)<sup>5</sup>. Public expenditures on forests are also very low. Even the revenues earned from forests are

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<sup>1</sup> For example, the Saw log Production Guarantee Scheme in central Africa.

<sup>2</sup> Such as the “Tree Fund” in Uganda.

<sup>3</sup> REDD+ stands for countries' efforts to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks.

<sup>4</sup> Such as the Great Green Wall project.

<sup>5</sup> Global Forest Resources Assessment 2010, FAO.

often not fully reinvested into the sector. The challenges include both low investments as well as the absence of an enabling environment. Some of the key elements that are hindering the progress are:

- *Weak forest governance and institutional enforcement:* Weak governance including illegal logging in many countries is a deterrent to safe, secure, and responsible investments. Illegal supplies create considerable market uncertainty and tend to depress the value of genuine products and services. They also present considerable risk for investors and threaten their continuity. Improved governance is in fact a prerequisite for accessing financial markets.
- *Ineffective forest revenue systems:* There is a need to bring the systems of forest fees and charges better in line with market realities in some countries. Greater transparency in revenue collection systems and processes, including involving local communities and equitable sharing of revenues, and establishing appropriate safeguards, standards, guarantees and certification mechanisms are needed to ensure sustained supplies of raw materials and thereby revenues.
- *Low processing, value-addition, and marketing of forest products:* Close to 90 percent of wood removals from forests in Africa is for fuel wood. Although this is an important activity, its production efficiency is very low. Similarly, other forest products that enter market undergo limited processing and as such fetch very low price. These deficiencies leave tremendous opportunities for investment in value addition and improved processing and marketing.
- *Inadequate support for community forestry, and small and medium-size forest enterprises:* With a significant number of households engaged in these enterprises in Africa, enhanced policy, institutional, technical and financial support for them could greatly render visible and tangible benefits to community forestry and small-scale and low-income forest producers. Some of the efforts may include clarification of rights, mobilization of necessary capital and technology, and promoting institutions for collective bargaining power.
- *Limited thrust on plantation forestry:* Progress in plantation forestry in Africa is also low. Given the worldwide trend toward greater reliance on plantation forests, there is a need for enhanced thrust on, and improved clarity and coherence in policies and programmes for, promoting plantation forests. Agro-forests and small and community-owned plantations are particularly key to contributing to income generation and economic growth.
- *Low capacities and underdeveloped markets for forest ecosystem services<sup>6</sup>:* Except for isolated cases such as ecotourism, opportunities for forest ecosystem services payments continue to be scattered and small scale in the region. While uncertainties about these markets and their benefits remain a constraint to scaling-up of such deals, an enabling environment must be developed and necessary capacities to be built, particularly to avail carbon sequestration benefits of forests. Once again, Africa's participation in these emerging markets is very low. Such opportunities could be the key to changing the current dynamics of returns on investment in favour of forests.

### **Financing SFM: A management paradox?**

7. An analysis of financing situation for sustainable forest management in Africa thus indeed presents a paradox. The continent has adequate land, labour, and a favourable climate to become a global leader in supplying forest products and services. Yet, institutional limitations seem to be holding its ability to mobilize the third factor, capital, in realizing this goal. However, with a bit of ingenuity, strategic leadership, and strong motivation, forest sector could indeed offer major solutions to several pressing problems that Africa is facing today, be they poverty, food security, or extreme climatic events. Strengthened institutional capacities and systematic management of forests, forest products and services can help communities to substantially augment their incomes and offer more resilience. Inevitably, forestry organizations and their leaders have a key role in making this happen and placing the region on a sure path toward sustainable development.

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<sup>6</sup> A detailed discussion paper has been prepared on this issue of payments for forest ecosystem services in the context of Africa (FO:AFWC/2012/6).

**Key issues for discussion**

8. Key issues that the Heads of Forestry may wish to consider for discussion include:
  - Specific institutional reforms carried out to create an enabling environment for promoting private sector investments in forestry;
  - Specific programmes or strategies where the forestry agency mobilized external public and/or private sector support and successfully realized additional funding;
  - Potential new and innovative approaches to augmenting financing for very visible and concrete forestry efforts and services.
  
9. The dialogue may further wish to give guidance to FAO in supporting ongoing initiatives related to forest finance, particularly in the formulation of innovative mechanisms such as the development of national forest funds.